



State and Local Government Recommended Budget Practices

National Advisory Council on
State and Local Budgeting

Best Practices in Budgeting: Takeaways for San Diego San Diego City Council GE&O Committee

John A. Gordon
San Diego, CA
(619) 379-5561

john.gordon@dickwray.com

Presentation Overview



- Describe the Budget Best Practices
- Provide immediate “takeaways” on current San Diego City budget challenges
- Recommendations to GE&O Members

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Best Practices in Public Budgeting - Microsoft Internet Explorer

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Best Practices in Public Budgeting

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Background

National Advisory Council on State and Local Budgeting (NACSLB)

- Developed in 1997 by 11 organizations with interest in this subject
- Represents the current state of the art
- Contains nearly 60 recommendations to enhance state and local government budget practices
- CD-Rom contains many examples of how many state and local governments are applying the practices

GFOA Recommended Practice on Performance Management

- Revised 1998 as a result of linkage to NACSLB
- Includes a broader approach to management effectiveness
- Also have composed recommended Financial Management Policies

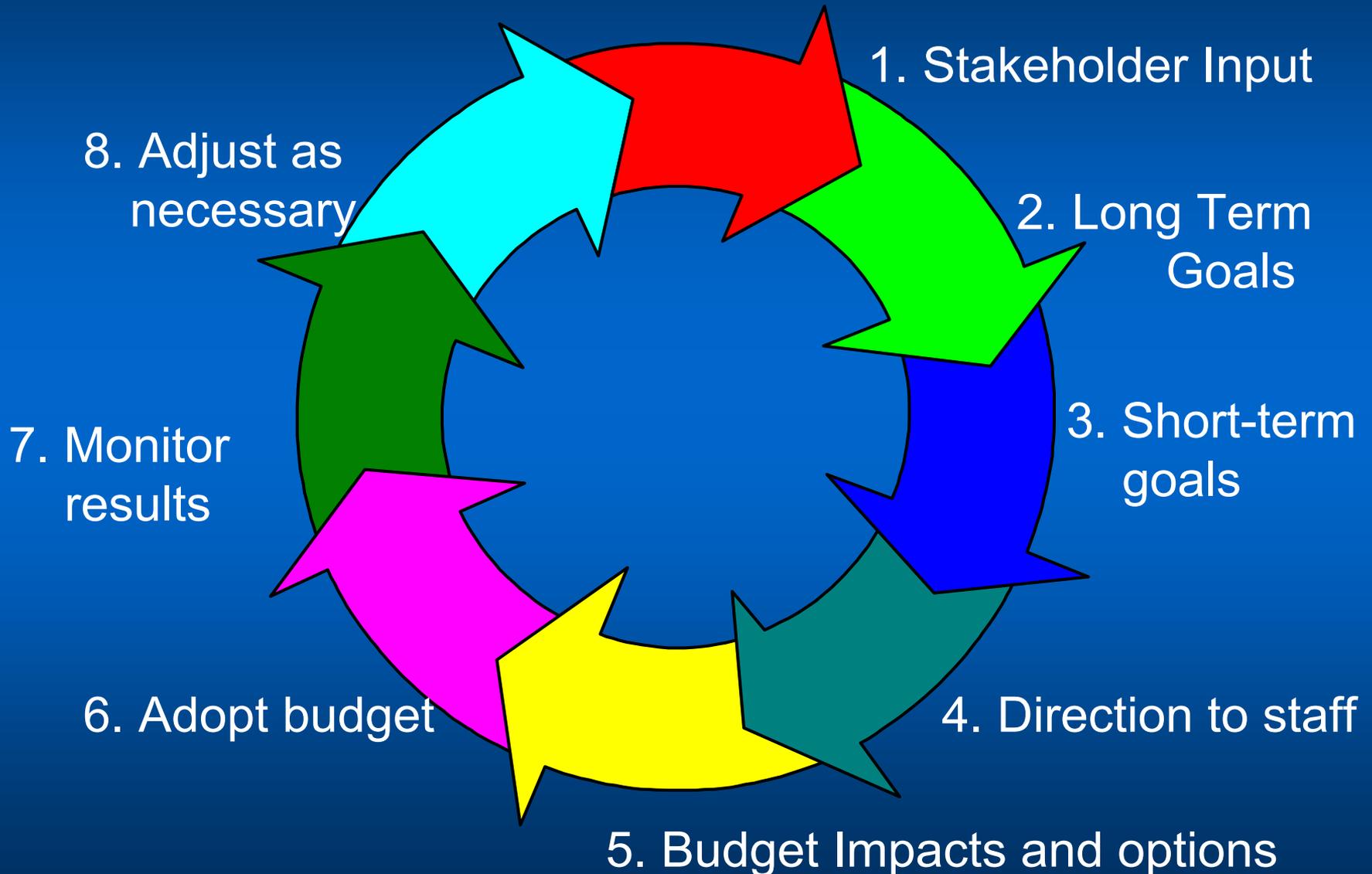
Definition of a “Best” Budget Process

- Incorporates a long-term perspective,
- Establishes linkage to broad organizational goals,
- Focuses budget decisions on results and outcomes,
- Involves and promotes effective communication with stakeholders, and
- Provide incentives to government management and employees

Budget Best Practices- Process

1. Obtain Stakeholder Input
 2. Set “broad goals”
 3. Establish Program Policy Priorities
 4. Develop / Review Financial Policies
 5. Establish Implementation Objectives
 6. Develop a Budget that Implements the Plan
 7. Report and Evaluate Performance and Program Accomplishments
 8. Make Adjustments as Needed
-
1. Obtain Stakeholder Input (it starts all over again!)

Process



NACSLB Principle 1

- Establish Broad Goals to Guide Government Decision Making
 - A government should have broad goals that provide overall direction for the government and serve as a basis for decision making.

Element 1 - Assess Community Needs, Priorities, Challenges and Opportunities

- Practice

- 1.1 - Identify Stakeholder Concerns, Needs, and Priorities
- 1.2 - Evaluate Community Condition, External Factors, Opportunities, and Challenges

Element 2 - Identify Opportunities and Challenges for Government Services, Capital Assets, and Management

- Practice

- 2.1 - Assess Services and Programs, and Identify Issues, Opportunities, and Challenges
- 2.2 - Assess Capital Assets, and Identify Issues, Opportunities, and Challenges
- 2.3 - Assess Governmental Management Systems, and Identify Issues, Opportunities, and Challenges

Element 3 - Develop and Disseminate Broad Goals

- Practice
 - 3.1 - Identify Broad Goals
 - 3.2 - Disseminate Goals and Review with Stakeholders

NACSLB Principle 2

- Develop Approaches to Achieve Goals
 - A government should have specific policies, plans, programs, and management strategies to define how it will achieve its long-term goals.
 - Financial Policies
 - Strategic Plan

Element 4 - Adopt Financial Policies

- Practice
 - 4.1 - Develop Policy on Stabilization Funds
 - 4.2 - Develop Policy on Fees and Charges
 - 4.3 - Develop Policy on Debt Issuance and Management
 - 4.3a - Develop Policy on Debt Level and Capacity
 - 4.4 - Develop Policy on Use of One-Time Revenues
 - 4.4a - Evaluate the Use of Unpredictable Revenues
 - 4.5 - Develop Policy on Balancing the Operating Budget
 - 4.6 - Develop Policy on Revenue Diversification
 - 4.7 - Develop Policy on Contingency Planning

Element 5 - Develop Programmatic, Operating and Capital Policies and Plans

- Practice

- 5.1 - Prepare Policies and Plans to Guide the Design of Programs and Services
- 5.2 - Prepare Policies and Plans for Capital Asset Acquisition, Maintenance, Replacement, & Retirement

Element 6 - Develop Programs and Services That are Consistent with Policies and Plans

- Practice

- 6.1 - Develop Programs and Evaluate Delivery Mechanisms
- 6.2 - Develop Options for Meeting Capital Needs & Evaluate Acquisition Alternatives
- 6.3 - Identify Functions, Programs, and/ or Activities of Organizational Units
- 6.4 - Develop Performance Measures
- 6.4a - Develop Performance Benchmarks

Element 7 - Develop Management Strategies

- Practice
 - 7.1 - Develop Strategies to Facilitate Attainment of Program and Financial Goals
 - 7.2 - Develop Mechanisms for Budgetary Compliance
 - 7.3 - Develop the Type, Presentation, and Time Period of the Budget

NACSLB Principle 3

- Develop a Budget Consistent with Approaches to Achieve Goals
 - A financial plan and budget that moves toward achievement of goals, within the constraints of available resources, should be prepared and adopted.

Element 8 - Develop a Process for Preparing and Adopting a Budget

- Practice

- 8.1 - Develop a Budget Calendar
- 8.2 - Develop Budget Guidelines and Instructions
- 8.3 - Develop Mechanisms for Coordinating Budget Preparation and Review
- 8.4 - Develop Procedures to Facilitate Budget Review, Discussion, Modification, and Adoption
- 8.5 - Identify Opportunities for Stakeholder Input

Element 9 - Develop and Evaluate Financial Options

- Practice

- 9.1 - Conduct Long-Range Financial Planning
- 9.2 - Prepare Revenue Projections
 - 9.2a - Analyze Major Revenues
 - 9.2b - Evaluate the Effect of Changes to Revenue Source Rates and Bases
 - 9.2c - Analyze Tax and Fee Exemptions
 - 9.2d - Achieve Consensus on a Revenue Forecast
- 9.3 - Document Revenue Sources in a Revenue Manual
- 9.4 - Prepare Expenditure Projections
- 9.5 - Evaluate Revenue and Expenditure Options
- 9.6 - Develop a Capital Improvement Plan

Element 10 - Make Choices Necessary to Adopt a Budget

- Practice

- 10.1 - Prepare and Present a Recommended Budget
 - 10.1a - Describe Key Policies, Plans and Goals
 - 10.1b - Identify Key Issues
 - 10.1c - Provide a Financial Overview
 - 10.1d - Provide a Guide to Operations
 - 10.1e - Explain the Budgetary Basis of Accounting
 - 10.1f - Prepare a Budget Summary
 - 10.1g - Present the Budget in a Clear, Easy-to-Use Format
- 10.2 - Adopt the Budget

NACSLB Principle 4

- Evaluate Performance and make Adjustments

- Program and financial performance should be continually evaluated, and adjustments made, to encourage progress toward achieving goals.



Element 11 - Monitor, Measure, and Evaluate Performance

- Practice

- 11.1 - Monitor, Measure, and Evaluate Program Performance
 - 11.1a - Monitor, Measure, and Evaluate Stakeholder Satisfaction
- 11.2 - Monitor, Measure, and Evaluate Budgetary Performance
- 11.3 - Monitor, Measure, and Evaluate Financial Condition
- 11.4 - Monitor, Measure, and Evaluate External Factors
- 11.5 - Monitor, Measure, and Evaluate Capital Program Implementation

Element 12 - Make Adjustments as Needed

- Practice
 - 12.1 - Adjust the Budget
 - 12.2 - Adjust Policies, Plans, Programs and Management Strategies
 - 12.3 - Adjust Broad Goals, If Appropriate

San Diego 2006 Budget: Immediate Takeaways

- Focus too narrow: focus on expenditures, little view of revenues and revenue options to date
- Inadequate expenditure analysis leads to cuts of services over infrastructure: cut G and A before basic programs
- Analysis missing: direct, indirect, capital (depreciation, debt service) expenditure breakouts
- Missing expense: depreciation. The reason the city will never have enough capital funds. BIG BILL !
- Missing from departments: outputs, outcomes, performance measures and benchmarks
- No focus to budget execution: is the budget worth it?
- Missing: cash budget

Takeaways, cont'd

- Budget Calendar: too tight (2 month review), too jammed, meetings late at night, inverted focus
- Materials: difficult to review, too many funds, confusing terminology
- Comparisons missing: current year projection, prior year actual, budget
- Missing overall priorities: Cutting programs and basic services, yet building new buildings: library example
- 2006 Budget Numbers don't track: to the recently released 5 Yr Plan: they must !

Recommendations

- Insist on beginning the proper budget approach, vote no as necessary
- Strong Mayor must reengineer financial/budget processes
- Insist on honesty
- Get a handle on the big number: true retirement liability and expense
- Ask meaningful questions of City Manager